"PERFORMANCE OF MUDRA YOJANA: SPECIAL REFERENCE TO NANDED AND NIZAMABAD DISTRICTS"

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by

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INTRODUCTION

This study aims to critically evaluate the role of specialised financial institutions in the promotion of micro enterprises in Indian by taking to account the new financial arrangement formally called MUDRA Yojana. In the academic literature there has been a stream of research discussions on issues concerning growth and development of enterprises varying from lack of skills, managerial issues, marketing problems and more over financial issues. Among all these, financial issues have been a burning topic among academicians and in policy discussions. It is strongly believes that lack of adequate finance is the root cause of all other issues of the sector. The importance of small business entities including SMEs in growth and development of any economy is well established in literatures and universally acceptable fact. The small enterprises have been playing a front role in economic growth and developments particularly post Global Financial Crisis (2007-08). Policies to jumpstart economic growth and promote job creation have been among the top priorities of many developing and developed economies since the financial crisis. The studies have emphasised the importance of small and medium enterprises in contributing to economic indices by creating jobs, output, export and significant role in mitigating regional imbalances. The SME sector development in micro enterprises is a global agenda for sustainable and balanced growth. The small enterprises are a driving force of growth and development in developed nations as well as developing nations. Micro enterprise in India constitute a wide bracket economic activities undertaken by different social categories such as skilled or unskilled , educated or uneducated, irrespective of income level, marginalised groups like women, SC,ST and OBC. It is truly representing nation as whole with wide geographical coverage.

According to the report of MUDRA Yojana, Non Corporate Small Business Sector comprises (NCSBS) of myriad of small entrepreneurs engaged in manufacturing units, shopkeepers, fruits / vegetable vendors, truck & taxi operators, food -service units, repair shops, machine operators, small industries, artisans, food processors, street vendors and many others; they undertakes three broad categories of economic activities such as, production, trading, and providing transport services. The production activity includes agricultural or non-agricultural activities. Agricultural activities include farming, cattle rearing, poultry rearing and fisheries. Non-agricultural production consist of a wide variety of skilled and semi-skilled activities ranging from food processing to producing different handicrafts and household items like pots, mats, cloth, etc. Trading is mainly

service lending activities such as shop keeping, small business, and selling specific items like vegetables, fish, etc.

The stimulant role of micro enterprise including small medium enterprises in the economic growth and the development have established in many literatures, however the financial access is determine their growth, for instant, it stated that access of finance is correlated with growth rate of job. The recent study of the International Finance Corporation (2013) also pointed the importance of financing to the small enterprises there are four channels through which finance leads to job creation:

(1) Finance helps start new businesses entrepreneurship,
(2) Finance helps businesses make larger investments,
(3) Finance provides businesses with liquidity, and
(4) Finance supports indirect job creation through supply and distribution chains.

Considering the pivotal role of micro enterprises including SMEs in economic growth of the country, the governments already have taken numerous policy measures to convert and maintain the sector as strategically important segment in the growth trajectory. Despite all these, the credit supply remains unsolved and major hurdle to the growth of the sector. In fact Micro, Small, and Medium Enterprises (MSMEs) particularly micro enterprises constitute a large size of the private sector, particularly in developing countries, further as compared with larger enterprises, the micro enterprise face greater difficulty in accessing finance and infrastructure services, as well as in complying regulatory norms like licensing and other governmental requirements.

Even though the importance of micro enterprises in growth and development is well recognised, but the credit accessibility of the sector still continues as scarce and inadequate. The formal financial institutions are often dormant to process and to sanction the loan applications of micro entrepreneurs. It is mainly due to the perceived risk nature micro enterprises, prudential norms of financial institutions, in ability of enterprises to meet collateral requirements etc. The studies show that the government's initiative such as policy measures and good practices can support micro enterprises for increased access to credit. Recognising the financial shortage of the micro enterprises and reluctant nature of financial institutions in extending credit to micro enterprises,

the Government of India launched MUDRA Yojana commonly called 'Micro Unit Development and Refinance Agency' (MUDRA) on 08 April 2015, with the vision of 'to be an integrated financial and support services provider par excellence benchmarked with global best practices and standards for the bottom of the pyramid universe for their comprehensive economic and social development

MUDRA Yojana is an extension in lending infrastructure of country as more specialised and wide covered, particularly focused on micro enterprises. The idea behind in establishing MUDRA Yojana as a new window for micro enterprises is to reduce under financed or no financed issues of micro enterprises. There has been evidence from the experiences of other countries that in many cases public policies or government expenditure on a country's lending infrastructure, yields more result than direct support for business development, including MSMEs. The current paper attempt to evaluate the role played in a short span of time and how the schemes benefited to large margin of the society. The paper also attempt to give suggestions to improve the schemes so as to substantially reduce the credit crunch of the sector. The paper organised as; the *first* section discusses the economic significance of the micro enterprises and reminds the financial shortage is a major hurdle in its growth trajectory. In the *second* section, literature reviews, elicit the financial shortage of the sector and the role of financial institutions to mitigate the same. The third section conceptualise the MUDRA Yojana; its origin and functioning etc. *Further* the section also assesses the performance of the schemes so far. In *last* section, the conclusion, it states the importance spreading the schemes in various sectors too.

Background

Focused finance for unfinanced or underfinanced sector is the requirement for ensuring balanced economic growth. A large number of the micro enterprises which are undertaking variety of economic activities and they literally covering the whole country with their own ventures. But most of them have been witnessed for pre mature death due to many limitations and growth constraints. The major constraints faced by such enterprises are lack financial access, limited infrastructure, issues related marketing, lack of constant policy base, issues related skill and knowledge gap etc., among all these problems lack of adequate financial support is the hurdle in their growth trajectory and root cause of all other constraints. In the above backdrop the Micro Units Development & Refinance Agency Ltd (MUDRA) was set up by the Government of India

(GoI) for ‘funding the unfunded’ on 8 April 2015. MUDRA has been initially formed as a wholly owned subsidiary of Small Industries.

Development bank of India (SIDBI) with 100% capital contribution presently, the authorized capital of MUDRA is 1000 crore and paid up capital is 750 crore, fully subscribed by SIDBI. The initial credit corpus of MUDRA was Rs. 20,000 crore and has a credit guarantee corpus of Rs. 3,000 crores. In lending, the prime objective of MUDRA is to give provide financial assistances to first generation entrepreneurs and existing small enterprises set up by the under-privileged sections of the society particularly those from the scheduled caste / tribe (SC/ST) groups, and. MUDRA and its schemes are functioning with a view of extending financial credit to marginalised groups and unfunded business entities

The targeted beneficiaries under MUDRA Bank’s gets credit of 10 lakh (maximum) the bank extends its products mainly in four heads namely 1. Technology enabler 2. To various financial institutions as refinance micro units; credit 3. Credit Guarantee to MUDRA loans, 4. Developmental and promotional supports (it includes sectoral development, Skill development, Entrepreneurship development, financial literacy, Institution development). The details finance scheme offered by MUDRA. Apart from these primary products, the bank launched specific products to cater most privileged groups. The schemes include loans to Land Transport, Community, Social & Personal Services, Food Product and Textile Product sectors. Schemes would similarly be added for other sectors / activities which are as follows:

1. Micro Credit Scheme (MCS)
2. Refinance Scheme for Regional Rural Banks (RRBs) / Scheduled Co-operative Banks
3. Mahila Uddyami Scheme
4. Business Loan for Traders & Shopkeepers
5. Missing Middle Credit Scheme
6. Equipment Finance for Micro Units

SIGNIFICANCE OF THE STDUY

The importance of promoting small enterprises including SMEs for a balanced economic growth and development is well established and universal fact particularly Global Financial Crisis 2007-08. Recognizing the unique feature of the sector such as job creation, innovations, balanced economic growth and signification contribution to national development indices, many developing and developed economy have been giving prime top priorities for the protection and promotion of the small enterprises. But the sector not free from growth hurdles like, lack of skills, managerial issues, marketing problems and more over financial issues. The financial shortage is root cause of all other issues of the sector. The specific or more specialized financial institution for serving the credit of the micro enterprises including SMEs is the need of the hour. The micro enterprises often dormant to source credit from financial institutions due to internal (illegal character of firms) and external (institutional norms) factors, as result micro enterprises in India, undertaken by different social categories such as skilled or unskilled , educated or uneducated, irrespective of income level, marginalized groups like women, SC,ST and marginalized groups are either unfunded or underfunded. The Mudra Yojana is such a specialized or exclusive financial arrangement for serving credit for micro enterprises in India. In a short span of time it achieved high target in providing credit.

REVIEW OF LITERATURE

Mol S.TP (2014)[1]: It has been clarified that there are some issues like money related Illiteracy, absence of mindfulness and client securing is high. Reserve Bank of India has started different activities to improved money related consideration. Information and communication technology offers the opportunities enhancement of financial inclusion

Gupta (2015)[2]: studied the concept, role, rational and responsibility of MUDRA Yojana. The study also focused on offerings and functioning of MUDRA Bank, the study concluded that MUDRA will be a catalyst towards mass entrepreneurship development, employment generation and higher GDP growth.

Mahammad Shahid and Mahammad Irshad (2016)[3]: After identifying the importance of self-employment people and small business units, government of India launched the Mudra Bank

Scheme under Pradhan Manthri Mudra Yojana to provide financial assistance to MSMEs who provide employment to a large number of people targeted towards mainstreaming young, educated or skilled workers and entrepreneurs including women entrepreneurs. This paper is an attempt to know about the MUDRA Yojana and its key objectives. For analyzing such facts secondary sources of data has been collected. It is not very much correct time to evaluate the PMMY scheme which is only in its infant stage. But an attempt has been made in this paper to analyze the product offerings and performance so far of the scheme.

Avani T (2016)[4] studied that how MUDRA Bank helps SMEs to grow. The study also focused on role, responsibility and performance of MUDRA Bank in the state of Kerala. This study concluded that just as banking the unbanked, MUDRA bank main aim is funding the unfunded.

Anup Kumar Roy (2016)[5]: In a Developing country having large population like India, small businesses play an important role not only in contributing to nation GDP but also by providing employment to a large no of people. After identifying the importance of self-employment people and small business units, government of India launched MUDRA Yojana to address the financial and other constraints. This paper is an attempt to know about the MUDRA Yojana and its key objectives. The paper highlights the importance and the role of MUDRA bank towards the small business units.

Kumar (2017)[6] studied the impact of MUDRA Yojana on financial inclusion. The study also covered the products and objectives of MUDRA Bank. The study concluded that the small businesses are form the foundation of the economic development needs to be strengthened and supported.

Venkatesh J and MS. R. Lavanya Kumari (2017)[7]: has showed that besides the schemes that are being introduced for the overall growth and development of the MSME sector, initiatives have been launched which focus solely on entrepreneurs. The schemes will contribute to the well-being of the individuals engaged in small scale industries which will positively affect the progress of the whole economy.

Manish Agarwal and Ritesh Dwivedi (2017)[8]: Financial Inclusion is one of the most treasured strategies in India. Our monetary arrangement has dependably been driven by a basic plan of a practical and comprehensive development. The primary point behind the monetary consideration is to cover the all segment of population under monetary administrations. Government of India (GOI) has introduced some of the major steps to "fund the unfunded" micro enterprises segment. This research paper includes the overview of PMMY, performance analysis of the scheme based on state, caste and category, SWOT analysis of the scheme and some recommendations.

Vijai (2018)[9]: Pradhan Mantri Mudra Yojana (PMMY) is one of the most important schemes of promotion of financial inclusion in India. Under this scheme, people can take a loan up to Rs. 10 lakh to start their businesses. This paper aims to highlight the opportunity, benefits, and performance of PMMY in India especially in Tamilnadu.

Anugrah Rohini Lall (2018)[10]: It is found that most of the people borrow loans from unorganized sector. Financial inclusion through latest scheme would be instrumental to bring economic change. The paper throws light on performance of Scheme in India and also brings out the performance of the Mudra Yojana in Uttarakhand. The analyses of different categories of schemes are done through trend forecasting. The analysis reveals that people are getting encouraged to develop entrepreneurship by taking initiative to start their own work. it reveals that performance of MUDRA Yojana is successful under Kishor and Tarun Categories whereas Shishu category has fallen because of which total disbursement has all also dropped it will be useful to devise the program that cater to need of the entrepreneurs .

RESEARCH GAP

Previous studies were carried out on the role of Mudra Yojana in the financial inclusion. Several studies have looked at the experience of the entrepreneurs in terms of accessibility for the funds comparison with the unorganized sector. Few studies have focused on the Mudra Loans contribution to the well-being of the individuals engaged in small scale industries which have positively affected the progress of the whole economy. The present study centered on Small entrepreneurs of unorganized sector understanding of the Pradhan Mantra Mudra Yojana, Awareness level of the entrepreneurs on the PMMY and its impact on their business growth. The

present study therefore tried to fill the research void with the title "Performance of Mudra Yojana with Reference to Select Districts of Maharashtra and Telangana States"

OBJECTIVES OF THE STUDY

1. To study the overview of Pradhan Mantri Mudra Yojana Schemes
2. To evaluate the Performance of PMMY funds
3. To Examine the Bankers perception on the PMMY Scheme
4. To study the awareness of the beneficiaries on the PMMY
5. To study the Impact of the PMMY on the business growth of Mudra beneficiaries
6. To study the problems of PMMY and suggests the measures to improve the credit growth.
7. To analyse the contribution of PMMY in the financial inclusion.

HYPOTHESES OF THE STUDY

H0: There is no difference of Funds flows between the states of PMMY

H0: There is no significant difference of bankers' perception on PMMY Scheme

H0: There is no Awareness of the beneficiaries on the PMMY

H0: There is no Impact of PMMY on the MSME Business growth

H0: There is no contribution of PMMY on the Financial Inclusion

SCOPE OF THE STUDY

The present study has been emphasized on the Pradhan Mantri Mudra Yojana Scheme evaluation from the inception to till date i.e., 2015 -16 to 2018-19 years. The study mainly focuses on the three Mudra credit schemes which are playing the vital role for the financial support to the unorganized small enterprises. They are

- Shishu
- Kishore
- Taruni

The study will consider the entrepreneurs from the select districts of Maharashtra state and Telangana state based on the Mudra funding.

RESEARCH METHODOLOGY

The research methodology includes three stages, namely Source of data, Research design and Statistical tools. The data related to Mudra Yojana mainly sourced from annual reports of MUDRA Yojana and its website, data also have taken from various journal, magazine and periodical, etc. Consultation with experts and supervisors in banking and finance also helped to reach accurate data sources. In the case of research design, the total MUDRA Credit hardly stipulated in to three categories namely 'Shishu' (credit amount up 50,000), and 'Kishore' credit amount between (50,000 to 5 Lakh) and Tarun (maximum credit 10 Lakh). To achieve the objectives of the study i.e., the role of MUDRA Yojana in financing micro enterprises, the relevant comparisons have done among schemes, regions, financial institutions, total credit and numbers of accounts.

SECONDARY DATA

The present work is a case study of an empirical in nature and is mainly based on Secondary data collected from the Annual reports of MUDRA Bank, Ministry of MSME, RBI, Annual Audited Accounts of Nationalized Banks etc.. Besides, other published data were taken as basic information at various levels of hierarchy and also consulted to get clarification of various technical aspects. The study also collected the primary data from the entrepreneurs of the located in Maharastra and Telangana state.

Primary data:

Primary data for the study will be collected from Nanded district of Maharashtra and Nizamabad district of Telangana State. The data for the study will be collected from two categories of Stake Holders i.e. the Public Sector Banks of these two districts and Beneficiaries through well framed questionnaire. The questionnaire will be administered to the beneficiaries from ten largest public sector banks in both the districts. The data will also be collected from these ten public sector bankers from both the districts through the questionnaire.

The 5 point Likert scale is a widely used approach in research to specify the level of agreement or disagreement on a symmetric Agree - Disagree scale for a series of statements in the questionnaire. The rating of the scale is from 5 to 1 and the responses have been given the values as mentioned below.

S. No.	Response	Represents	Scale Value
1	Strongly Agree	SA	5
2	Agree	A	4
3	Neutral	N	3
4	Disagree	D	2
5	Strongly Disagree	SD	1

SAMPLE SIZE DETERMINATION

The study will apply the sampling technique of Simple Random Methodology to determine the sample size. The study is focused on the known sample (i.e., entrepreneurs), who have opted the Mudra loan for their credit requirement.

$$\mathbf{n = [(z^2 * p * q) + ME^2] / [ME^2 + z^2 * p * q / N]}$$

LOCATION OF THE STUDY

The study will consider the Nanded and Nizamabad districts of Maharashtra and Telangana states respectively. The study will consider primary and secondary data belongs to these districts.

STATISTICAL TOOLS

Reliability test: Cronbach's Alpha test will be applied to know the primary data reliability. The responses will be collected in likert format scale for the study. The reliability will be verified with segment wise to know the greater than the > 0.7 for the entire questionnaire segment.

Chi square test: Chi square test is used to study the association between Entrepreneurs demographic factors (Age, Gender, Marital status, Educational, Family Type and Experience,) and the Mudra credit parameters.

Discriminant analysis: Discriminant analysis has been applied to know the high and low Discriminant score for the Awareness level on the PMMY. The wilks lambda test has been applied to know the model fitness for the application of Discriminant analysis.

Ordinary Least Square Method (OLS): The study will apply the OLS to evaluate the Performance of difference of Mudra Funds flow through bank wise, state wise, scheme wise.

Structure Equation Model (SEM): The study will apply the SEM to know the multiple independent variables on the dependent variable. The contribution of funds through the Mudra Yojana impact on the business growth of the entrepreneurs will be examined through the SEM.

Confirmatory factor Analysis (CFA): The study will consider the CFA to extract the higher loading factors among the various problems associated with the PMMY.

Exploratory factor Analysis (EFA): The study will apply the EFA to suggest the measure to improve the credit growth with the Mudra Yojana schemes. The EFA will extract the higher loading factors, so that those factors will be suggested for the various stakeholders to implement.

LIMITATIONS OF THE STUDY

1. The present study will be focused on the Mudra Yojana schemes of Shishu, Kishore and Tarun credit options.
2. The study will be confined to few districts of Maharashtra and Telangana states small entrepreneurs, who have borrowed the money through the Mudra Loan.

CHAPTER PLAN

The following are the chapters have been drafted for the study of "Performance of Mudra Yojana with Reference to Select Districts of Maharashtra and Telangana States".

Chapter – 1: Deals with the Introduction

Chapter – 1I: Focused on Mudra Yojana Conceptual Frame work

Chapter – 1II: Emphasized on Evaluation of Pradhan Mantri Mudra Yojana.

Chapter – IV: Data Analysis & Interpretation

Chapter – V: Emphasized on the Findings, Suggestions and Conclusions

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